

U.S. Industry Perspective

Global Forum on Steel Excess Capacity

October 24, 2019



**American
Iron and Steel
Institute**

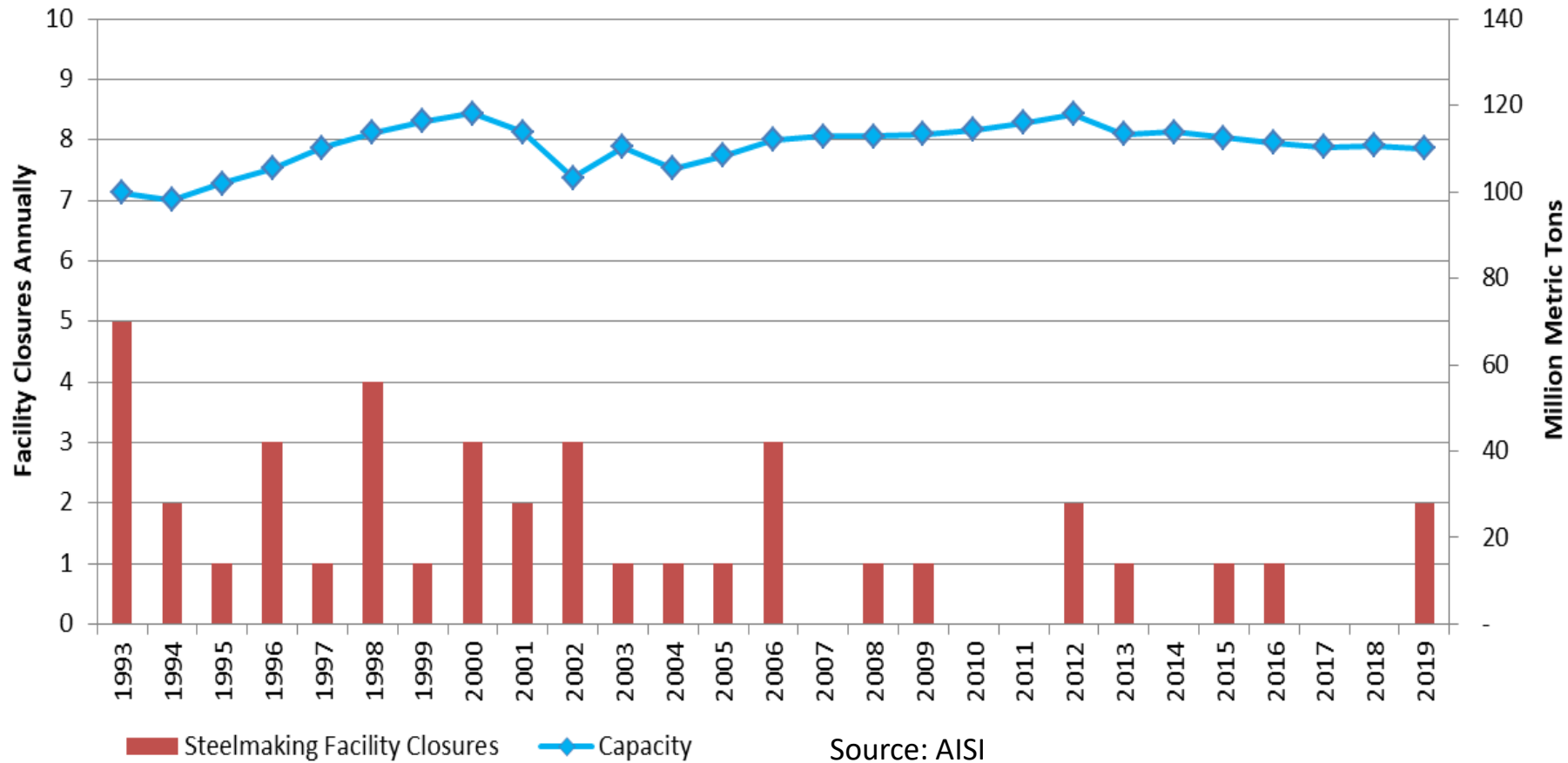
How We Got Here

- ▶ 2014 — Surging imports lead U.S. and other countries to petition our governments for action to address the crisis
- ▶ April 2016 — Brussels High Level Meeting
 - ▶ Creation of GFSEC first considered
- ▶ September 2016 — GFSEC created by G20 leaders under Chinese presidency at Hangzhou summit
- ▶ December 2016 — GFSEC formally launched under German presidency of G20
- ▶ 2019 — Should the mandate of the GFSEC be continued?

Overcapacity and Its Continuing Damage

- ▶ With global overcapacity still at high levels, the damage continues
 - ▶ U.S. has experienced longest post-war economic recovery but steel industry still lags
 - ▶ U.S. remains the market most heavily impacted by imports
 - ▶ Challenging economic environment compounds the risks

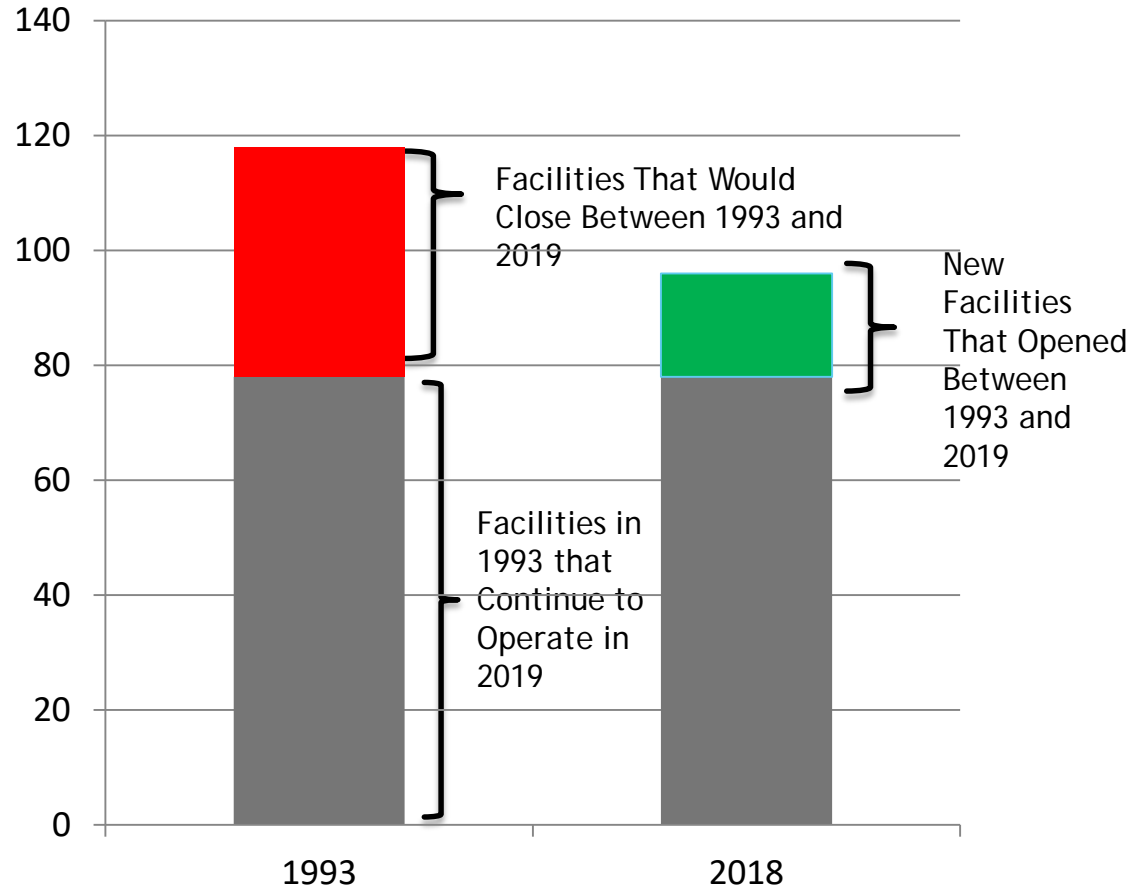
U.S. Steelmaking Capacity and Facility Closures Since 1993



Source: AISI

The U.S. Steel Industry in 1993 versus 2019

U.S. Steelmaking Facilities



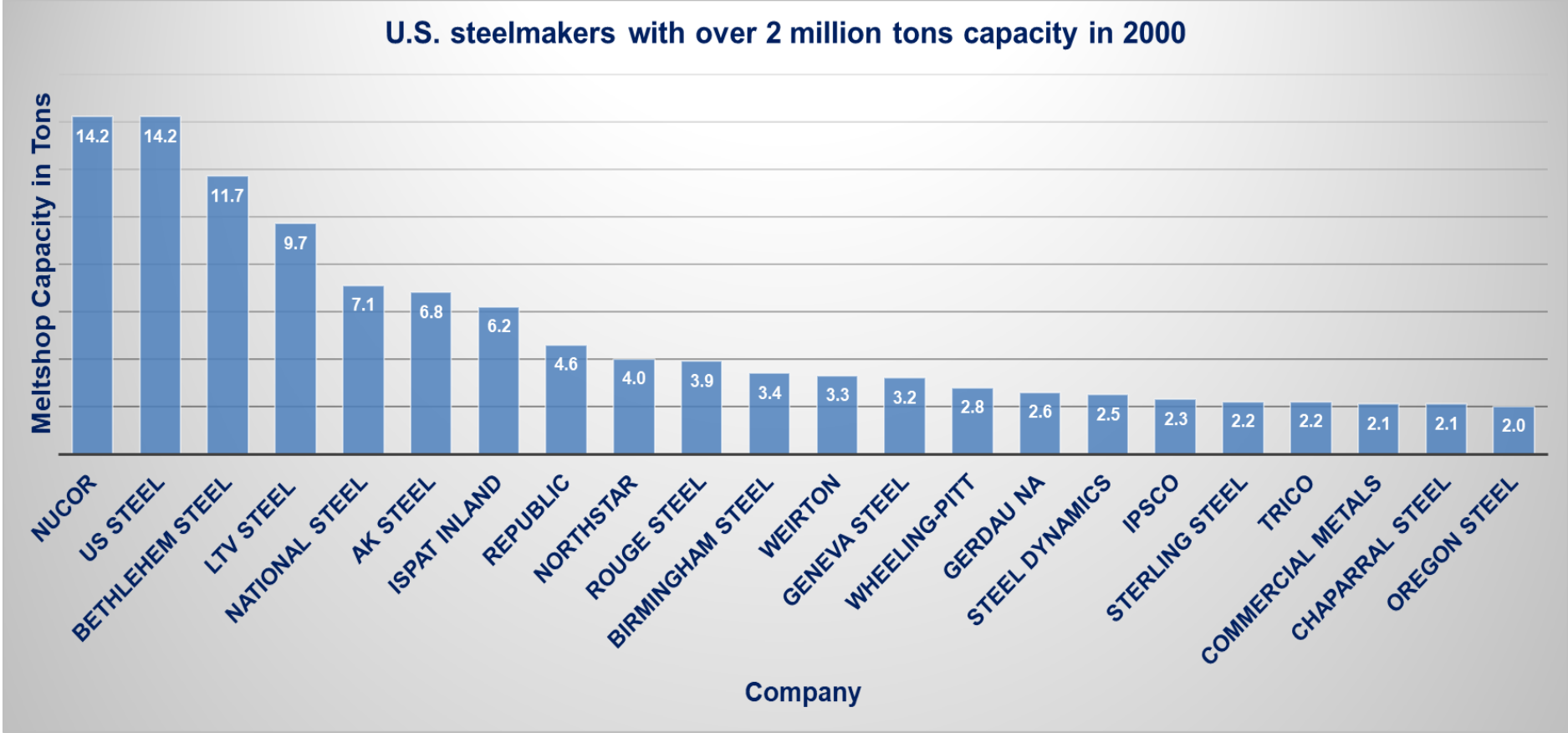
	Steelmaking Facilities
1993	117
Closures	-40
Additions	+18
2019	95

Source: AISI

	Steelmaking Companies
1993	88
2019	34

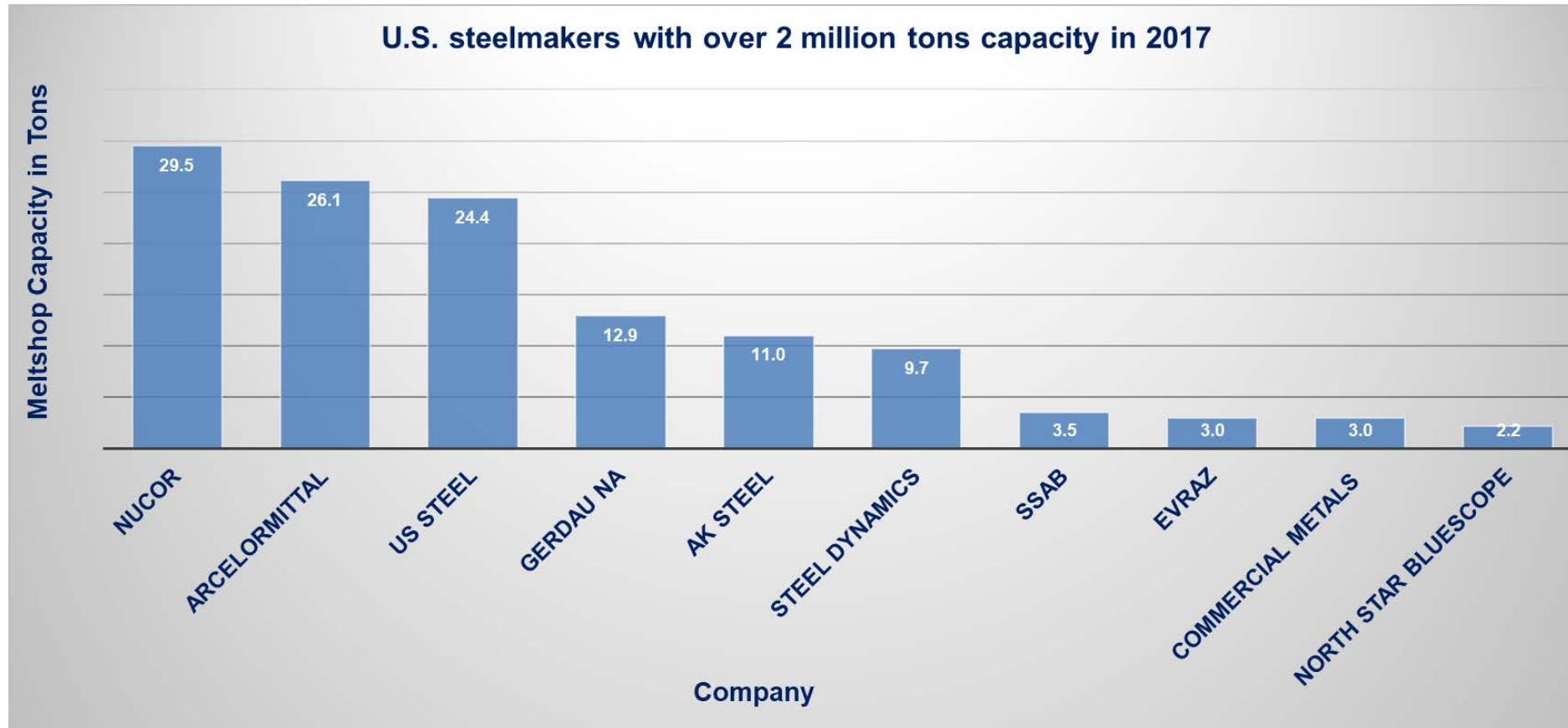
Source: AISI

Industry Consolidation in the United States



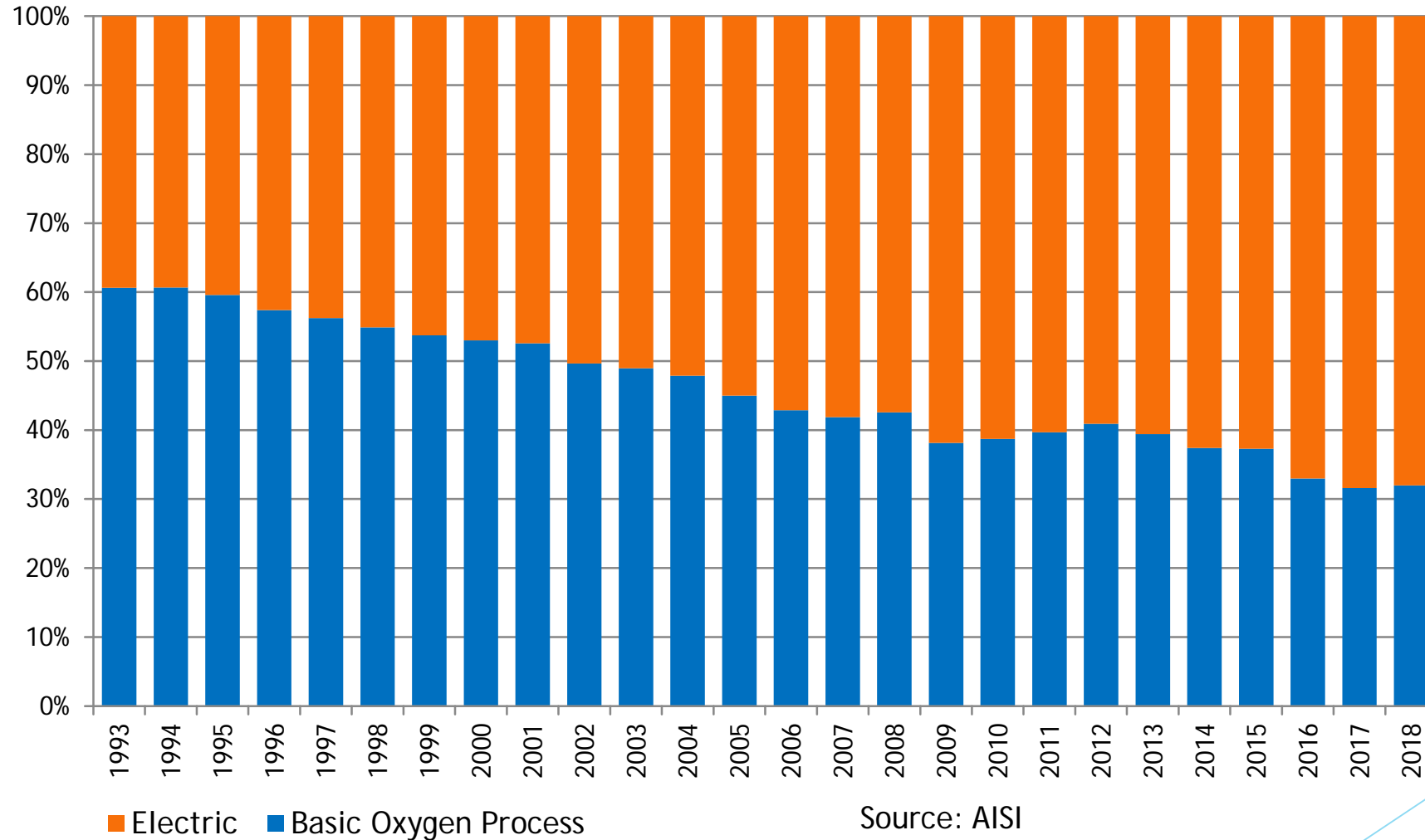
Source: World Steel Dynamics, SMA

Industry Consolidation in the United States - 2017



Source: World Steel Dynamics, SMA

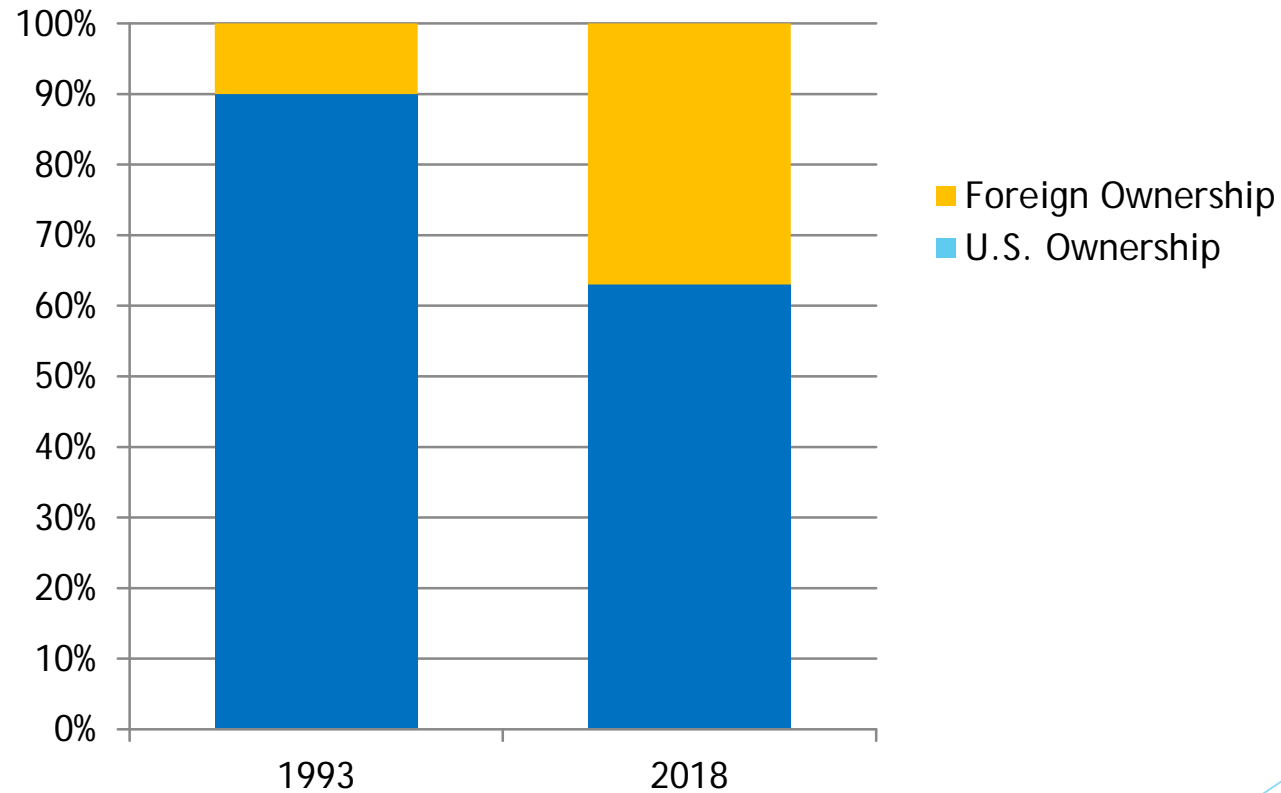
U.S. Raw Steel Production by Furnace Type



Source: AISI

Open Investment Culture Promotes Industry Rationalization

Estimated Ownership
of U.S. Steelmaking Capacity



Source: AISI

The Unfinished Business of the GFSEC

- ▶ Important work has been done
 - ▶ Data collection
 - ▶ Concrete policy recommendations
 - ▶ Excess of capacity over production has fallen from peak levels
- ▶ But the work is not complete

The Unfinished Business of the GFSEC

- ▶ The reason for the creation of GFSEC persists
 - ▶ OECD: “capacity and production developments from the first half of 2019 point again to a widening gap between capacity and production this year.”
- ▶ Irrational investment in the steel sector continues to be supported by some governments
- ▶ Demand growth will not solve the problem
 - ▶ Market distorting measures must be confronted and addressed
 - ▶ Barriers to exit must be removed
 - ▶ Market forces must dictate investment decisions and allow inefficient facilities to fail
- ▶ The work of the GFSEC must go on